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## ***The Marriage Penalty***

### **History of the Marriage Penalty**

- ◆ **Prior to 1948** - The tax code made no distinction between married couples and singles.
- ◆ **1948** - Congress changed the tax code to allow income splitting. Essentially, couples were taxed like two single taxpayers -- even if only one earned income. As a result of this change, single taxpayers with the same amount of income paid higher taxes than a married couple.
- ◆ **1969** - Responding to pressure from single taxpayers, Congress altered the tax brackets so that tax liability of a single person could be no more than 20 percent greater than the liability of a married person with the same income. This change created marriage penalties for many two-earner married couples, particularly those with similar incomes.
- ◆ **1981** - To help offset the marriage penalty, the Economic Recovery Tax Act of 1981 provided a 10 percent deduction for two-earner married couples on the earnings (up to \$30,000) of the lower income spouse.
- ◆ **1986** - The Tax Reform Act of 1986 eliminated the two-earner deduction. But by collapsing the number of tax brackets from 14 to 2, the Tax Reform Act reduced the size and number of marriage penalties.
- ◆ **1990 and 1993** - Changes to the tax code in 1990 and 1993 -- by increasing the number of tax brackets from 2 to 5 -- exacerbated the marriage penalty. In addition, changes in the Earned Income Tax Credit in 1993 also had the effect of increasing the marriage penalty.

### **What Is the Marriage Penalty?**

- ◆ A married couple filing jointly incurs a marriage penalty if their tax bill is higher than the combined tax bills that they would have paid if each could have filed as singles.

- ◆ The marriage penalty taxes the income of a family's second wage earner -- often the wife -- at a much higher rate than if that salary were taxed only as an individual. For example, a husband and wife with a household income of \$61,000 and each earning \$30,500 would pay \$8,563 in federal taxes. If each were to file as singles, each would pay \$3,592, or a total of \$7,184. Consequently, by filing jointly, this couple is hit with a \$1,379 marriage penalty. The marriage penalty is due to two factors:
  1. The standard deduction for married couples is not twice that of a single filer.
  2. The tax brackets of married couples is not twice as wide as those for single filers. In the example mentioned above, if this couple filed as singles, all of their income would be taxed at the lower 15 percent marginal rate. But filing as a couple means that a good portion of their income is taxed at the higher 28 percent marginal rate.

### **Who Pays the Marriage Penalty?**

- ◆ According to CBO, 42 percent of married couples -- comprising 21 million couples -- incurred marriage penalties in 1996, averaging approximately \$1,400 per couple.

### **Who Supports Ending the Marriage Penalty?**

Some of the groups which support eliminating the marriage penalty are:

- ◆ Americans for Tax Reform
- ◆ Christian Coalition
- ◆ Concerned Women for America
- ◆ Eagle Forum
- ◆ The Family Research Council
- ◆ National Taxpayers Union
- ◆ Traditional Values Coalition